

**Shalom Farms, Inc.**

Financial Statements  
for the year ended  
December 31, 2021

(with comparative information for the year ended December 31, 2020)

# Shalom Farms, Inc.

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**Frank Barcalow, CPA, P.L.L.C.**  
**1434 Dispatch Station Road**  
**Quinton, Virginia 23141**

## **Independent Auditor's Report**

The Board of Directors  
Shalom Farms, Inc.  
Richmond, Virginia

### **Opinion**

We have audited the accompanying financial statements of Shalom Farms, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shalom Farms, Inc. as of December 31, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial Statements section of our report. We are required to be independent of Shalom Farms, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Shalom Farms, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

1. Exercise professional judgment and maintain professional skepticism throughout the audit.
2. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
3. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Shalom Farms, Inc.'s internal control. Accordingly, no such opinion is expressed.
4. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
5. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shalom Farms, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other matter

The 2020 financial statements were reviewed by us and our report thereon, dated March 24, 2021 stated that we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. A review is substantially less in scope and does not provide a basis for the expression of an opinion on the financial statements as a whole.

*Frank Barcalow CPA, P.L.L.C.*

Frank Barcalow CPA, P.L.L.C.  
Richmond, Virginia  
April 13, 2022

## Statement of Financial Position

December 31, 2021

(with comparative totals for the year ended December 31, 2020)

Assets	<u>2021</u>	<u>2020</u>
<b>Current assets</b>		
Cash and Cash Equivalents	\$ 959,275	\$ 678,008
Certificate of deposit	-	115,166
Receivables	23,096	16,456
Other assets	-	-
Prepaid expenses	<u>22,339</u>	<u>17,376</u>
<b>Total current assets</b>	<u>1,004,710</u>	<u>827,006</u>
<b>Property and equipment</b>		
Leasehold improvements	370,138	245,942
Vehicles	233,247	194,865
Equipment and furniture	<u>240,838</u>	<u>240,838</u>
Less: Accumulated depreciation	<u>(421,381)</u>	<u>(351,662)</u>
<b>Total property and equipment</b>	<u>422,842</u>	<u>329,983</u>
<b>Total assets</b>	<u>\$ 1,427,552</u>	<u>\$ 1,156,989</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts Payable	\$ 42,112	\$ 21,019
Payroll liabilities	22,760	22,151
Note payable - payroll protection program	<u>130,609</u>	<u>105,203</u>
<b>Total current liabilities</b>	<u>195,481</u>	<u>148,373</u>
<b>Net assets</b>		
Net assets without donor restrictions	1,232,071	932,014
Net assets with donor restrictions	<u>-</u>	<u>76,602</u>
<b>Total net assets</b>	<u>1,232,071</u>	<u>1,008,616</u>
<b>Total liabilities and net assets</b>	<u>\$ 1,427,552</u>	<u>\$ 1,156,989</u>

See notes to the financial statements.

## Statement of Activities

For the year ended December 31, 2021

(with comparative totals for the year ended December 31, 2020)

	2021			2020
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
<b>Support and revenue</b>				
Contributions & Grants	\$ 909,940	\$ 320,751	\$ 1,230,691	\$ 976,867
Payroll protection program	105,206	-	105,206	-
Program income	80,668	-	80,668	83,267
Miscellaneous income	14,513	-	14,513	142
	<u>1,110,327</u>	<u>320,751</u>	<u>1,431,078</u>	<u>1,060,276</u>
Net assets released from restrictions	<u>397,353</u>	<u>(397,353)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>1,507,680</u>	<u>(76,602)</u>	<u>1,431,078</u>	<u>1,060,276</u>
<b>Expenses</b>				
Program expenses	918,275	-	918,275	767,506
Supporting and administrative				
Administrative	136,788	-	136,788	89,753
Fundraising	152,560	-	152,560	113,225
	<u>289,348</u>	<u>-</u>	<u>289,348</u>	<u>175,403</u>
<b>Total supporting and administrative</b>	<u>289,348</u>	<u>-</u>	<u>289,348</u>	<u>175,403</u>
<b>Total expenses</b>	<u>1,207,623</u>	<u>-</u>	<u>1,207,623</u>	<u>970,484</u>
<b>Change in net assets</b>	300,057	(76,602)	223,455	89,792
<b>Net assets at beginning of year</b>	<u>932,014</u>	<u>76,602</u>	<u>1,008,616</u>	<u>918,824</u>
<b>Net assets at end of year</b>	<u>\$ 1,232,071</u>	<u>\$ -</u>	<u>\$ 1,232,071</u>	<u>\$ 1,008,616</u>

**Statement of Functional Expenses**

**For the year ended December 31, 2021**

**(with comparative totals for the year ended December 31, 2020)**

	<b>2021</b>			
	<u>Programs</u>	<u>Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and benefits	\$ 592,140	\$ 60,927	\$ 137,803	\$ 790,870
Farm and urban programs	162,336	-	-	162,336
Payroll taxes	40,610	4,597	9,991	55,198
Professional fees	-	16,683	-	16,683
Occupancy	10,013	2,903	-	12,916
Insurance	27,235	823	-	28,058
Travel and vehicle maintenance	507	-	-	507
Office expense	3,036	31,015	4,766	38,817
Miscellaneous	6,816	11,485	-	18,301
Depreciation	75,582	8,355	-	83,937
<b>Total expenses</b>	<b>\$ 918,275</b>	<b>\$ 136,788</b>	<b>\$ 152,560</b>	<b>\$ 1,207,623</b>

	<b>2020</b>			
	<u>Programs</u>	<u>Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and benefits	\$ 494,190	\$ 55,635	\$ 99,563	\$ 649,388
Farm and urban programs	114,724	-	-	114,724
Payroll taxes	33,067	3,328	7,406	43,801
Professional fees	-	6,346	-	6,346
Occupancy	9,450	2,853	-	12,303
Insurance	29,881	1,048	-	30,929
Travel and vehicle maintenance	144	-	-	144
Office expense	4,644	3,605	6,256	14,505
Miscellaneous	11,742	9,197	-	20,939
Depreciation	69,664	7,741	-	77,405
<b>Total expenses</b>	<b>\$ 767,506</b>	<b>\$ 89,753</b>	<b>\$ 113,225</b>	<b>\$ 970,484</b>

**Statement of Cash Flows**

**December 31, 2021**

**(with comparative totals for the year ended December 31, 2020)**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 223,455	\$ 89,792
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used by) operating activities		
Depreciation	83,937	77,405
Loss on disposal of assets	-	1,123
Donated in-kind income	(34,999)	(11,810)
Donated in-kind expenses	34,999	10,810
Debt extinguishment of payroll protection loan	(105,203)	-
(Increase) in contributions and grants receivable	(6,640)	6,668
(Increase) in other receivables	-	60
(Increase) in prepaid expenses	(4,963)	(3,092)
Increase (decrease) in accounts payable	21,093	4,350
Increase (decrease) in payroll liabilities	609	12,465
	<u>212,288</u>	<u>187,771</u>
<b>Net cash provided by operations</b>		
<b>Cash flows used in investing activities</b>		
Proceeds from sale of equipment	-	-
Maturity of certificate of deposit	116,211	-
Purchase of investments	(1,045)	(1,261)
Additions to property and equipment	(176,796)	(52,486)
	<u>(61,630)</u>	<u>(53,747)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Proceeds from note payable	<u>130,609</u>	<u>105,203</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	281,267	239,227
<b>Cash and cash equivalents, beginning of year</b>	<u>678,008</u>	<u>438,781</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 959,275</u>	<u>\$ 678,008</u>



**Notes to Financial Statements  
December 31, 2021****Note 1 - Nature of activities and summary of significant accounting policies***Nature of activities*

Shalom Farms, Inc. is a non profit organization whose mission is to work together to build healthy communities by growing and sharing healthy food. The Organization was formed in 2005. The Organization changed its name from United Methodist Urban Ministries of Richmond, Inc. to Shalom Farms, Inc. in March 2017. The majority of its revenue and support is provided by contributions and grants from corporations, foundations, businesses and individuals.

*Basis of accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under generally accepted accounting principles of the United States, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed stipulations, that can be fulfilled by the actions of the Organization pursuant to those stipulations or that expire by the passage of time. Net assets without donor restrictions are assets that are not subject to or are no longer subject to donor-imposed stipulations.

*Contribution Revenues*

Contribution revenues are recorded as increases in net assets with or without restrictions depending on the existence and nature of any donor restrictions.

Amounts restricted by the donor are reported as increases in net assets with restrictions depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

*Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles of the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Equipment and depreciation*

Leasehold improvements, vehicles, furniture, and equipment are recorded at cost, or at fair market value, if donated. The Organization capitalizes all expenditures for capital assets in excess of \$1,000. Leasehold improvements, vehicles, furniture and equipment are depreciated over an estimated useful life of 3 to 10 years using the straight line method.

**Notes to Financial Statements  
December 31, 2021**

**Note 1 - Summary of significant accounting policies (concluded)**

*Cash equivalents*

For purposes of the Statement of Cash Flows, the Organization considers highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

*Certificates of deposits*

Investments in certificates of deposits are reported at their fair value plus accrued interest.

*Grants and Pledges Receivable*

Pledges are recognized as revenue when the donor makes a pledge to give to the Organization that is, in substance, unconditional. Grants and pledges receivable that are expected to be collected within one year, are recorded at their net realizable value. Grants and pledges receivable that are expected to be collected in future years, are recorded at the present value of estimated future cash flows. Discounts on these amounts are computed using a risk-free interest rate applicable to the year in which the pledge is made. The Organization estimates that all grants and pledges receivable are fully collectible; therefore, no allowance for uncollectible amounts has been established.

*Donated services, equipment and materials*

The Organization recognizes assets, services, and supplies, and other items in accordance with FASB Accounting Standards Codification 958, *Not for Profit Entities*. All in-kind contributions are recorded when received at fair value as income and expenses or capitalized as property or equipment. The Organization does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue. The Organization pays for most services requiring specific expertise. However, **2,688 individuals** volunteered their time and perform a variety of tasks. Total contributed farming space was \$10,810 and other inkind donations was \$24,189 for a total of \$34,999 at December 31, 2021.

*Income Taxes*

The Internal Revenue Service has determined that the Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Organization are tax deductible as defined by Section 170 of the Internal Revenue Code. The Organization generally is no longer subject to examination by the Internal Revenue Service for the years before 2019.

*Functional Expenses*

The financial statements report certain categories of expenses in the statement of activities that are attributed to more than one program or supporting function. Therefore, expenses may require allocation on a reasonable basis that is consistently applied. The expenses that may be allocated include personnel costs and other expenses, which are allocated on time spent or usage basis. Any expenses that can be identified to a program or administrative function are directly charged to the appropriate class.

**Notes to Financial Statements  
December 31, 2021**

**Note 1 - Summary of significant accounting policies (concluded)**

*Advertising*

Advertising costs are expensed when incurred.

**Note 2 – Certificate of deposits**

The Organization had an outstanding certificate of deposit in the amount of \$115,166 as of December 31, 2020, which matured September 2021. Interest rate is 1.1%.

**Note 3 -Property and equipment**

Property, equipment and improvements at December 31 consists of the following:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 370 138	\$ 245 942
Furniture and equipment	233 247	240 838
Vehicles	<u>240 838</u>	<u>194 865</u>
	844 223	681 645
Less accumulated depreciation	<u>421 381</u>	<u>351 662</u>
Total	<u>\$ 422 842</u>	<u>\$ 329 983</u>

Depreciation expense totaled \$83,937 for the current year.

**Note 4 – Leases and Office Space Usage**

The Organization has use of a house, owned by a Church, for office space. There is no stated lease. Currently the rent amounts to \$1,050, monthly. The Organization signed a lease for use of real property for farming purposes. The terms of the lease began May 1, 2016, and continues for ten years at a rent expense of \$1 annually. The Organization will agree to contribute to physical plant of the premises with improvements of approximately \$300,000. Total in-kind value of the rental of the farming property amounted to \$810.

The Organization also has leased land consisting of five acres for use as an urban farm; the lease is dated April 1, 2017, and will continue for nine years; the landlord shall have the right to terminate after March 2023, with no less than twelve months notice and payment of an early termination fee. There is no rent, and total in-kind value of the rental of farming property amounted to \$10,000. The Organization’s total rent expense for the year ended December 31, 2020, was \$23,725 (including in-kind) and is included within occupancy expense and farming costs on the statement of activities.

**Notes to Financial Statements  
December 31, 2021**

**Note 5 - Retirement plan**

The Organization offers a SIMPLE IRA retirement plan for all full time employees, beginning January 1, 2016. Employees may make voluntary contributions to the plan. The Organization contributes 3% of applicable gross salaries. Contributions charged to expense totaled \$14,269 for the year ended December 31, 2021.

**Note 6 - Concentration of credit risk**

The Organization maintains its cash balances in financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to \$250,000 for balances carried in member banks. At times, bank balances may exceed federally insured limits.

**Note 7 - Subsequent events**

In preparing these statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 13, 2022, the date the financial statements were issued.

**Note 8 - Net assets with donor restrictions**

There were no net assets with donor restrictions as of December 31, 2021.

Net assets with donor restrictions as of December 31, 2021 consists of \$76,602 from individuals, foundations, and corporations for specific purposes and time period. The balance is restricted for specific program and farming uses.

Net assets released from restrictions of \$397,353 for the year ended December 31, 2021, are related to purpose and time restrictions being met.

**Note 9 - Liquidity and availability of financial assets**

Shalom Farm, Inc.'s working capital and cash flows have season variations based upon the activity and produce of the farm. The Organization also receives its grants and contributions throughout the year. A special event is held in the third quarter of the calendar year. Cash outflows vary based upon the time of year as well as based upon the activity of the farm. The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of donor-imposed restrictions or internal designations.

	<u>2021</u>	<u>2020</u>
Total financial assets	\$ 982 371	\$ 809 630
Less those available for general expenditures within one year due to:		
Board designated - Northside Farm	-	18 000
Board designated - operations	-	20 000
Purpose restrictions	<u>-</u>	<u>69 601</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 982 371</u>	<u>\$ 702 029</u>

**Notes to Financial Statements  
December 31, 2021****Note 10- Future Accounting Pronouncements**

In February 2016, *Financial Accounting Standards Board* (FASB) issued new guidance over leases which requires that all leasing activity with terms greater than one year be recognized on the statement of financial position with a right of use asset and a lease liability. The asset and corresponding liability will be calculated based upon the present value of lease payments. The new standard will be effective for periods beginning after December 2021.

**Note 11 - Contingencies**

In December 2019, a novel strain of corona-virus was reported by the World Health Organization. The world wide spread this virus began to cause some business disruption in the United States in March 2020. The disruption is continuing and there is considerable uncertainty around the duration. While the Organization expects this matter could negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time. The Organization received from the federal government a payroll protection loan in the amount of \$105,203 in 2020 due April 2022, interest rate at 1.0%. The loan may be forgiven if used for payroll and other expenses, based upon loan program restrictions. The Organization received forgiveness for this loan in April 2021. The Organization also received from the federal government a second payroll protection loan in the amount of \$130,609 in April 2021 due April 2023, interest rate at 1.0%. The loan may be forgiven if used for payroll and other expenses, based upon loan program restrictions.

**Note 12 - Note Payable Payroll Protection Program**

The Organization received as part of the federal government's assistance during the COVID-19 viral epidemic a payroll protection loan. Total loan proceeds received April 2020, amounted to \$105,203, due April 2022, interest rate 1.0%. The proceeds were used for payroll and other approved expenses. The Organization received forgiveness in April 2021 and this amount is included as debt forgiveness in the Statement of Activities as of December 31, 2021.

The Organization received as part of the federal government's assistance during the COVID-19 viral epidemic a second payroll protection loan. Total loan proceeds received April 2021, amounted to \$130,609, due April 2023, interest rate 1.0%. The Organization may receive forgiveness if the proceeds were used for payroll and other approved expenses. The Organization plans to request forgiveness for the entire balance of the loan.